

QUANTUM eMOTION CORP.
(FORMERLY QUANTUM NUMBERS CORP.)

**UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2021**

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These condensed interim financial statements for the six-month period ended June 30, 2021 have not been reviewed by the Company's external auditors.

QUANTUM eMOTION CORP.
(Formerly Quantum Numbers Corp)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited, in Canadian dollars)

	Notes	June 30, 2021	December 31, 2020
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		1,387,913	20,090
Taxes receivable		88,740	7,468
Prepaid expenses		16,505	5,345
		<u>1,493,158</u>	<u>32,903</u>
Non-current			
Deposits		202	202
Intellectual Property	4	628,519	639,580
		<u>628,721</u>	<u>639,782</u>
Total assets		<u>2,121,879</u>	<u>672,685</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities		83,986	419,014
Current liabilities		<u>83,986</u>	<u>419,014</u>
Non-current			
Deferred government grant		3,069	-
Loan payable		50,617	31,888
Total liabilities		<u>137,672</u>	<u>450,902</u>
SHAREHOLDERS' EQUITY			
Share Capital	5	8,672,121	6,334,571
Units to be issued		-	12,500
Contributed surplus	7	567,635	280,404
Deficit		(7,255,549)	(6,405,692)
Total shareholders' equity		<u>1,984,207</u>	<u>221,783</u>
Total liabilities and shareholders' equity		<u>2,121,879</u>	<u>672,685</u>

The accompanying notes are an integral part of these condensed interim financial statements.

On the behalf of the Board,

(s) Francis Bellido
President and CEO

(s) Marc Rousseau
CFO

QUANTUM eMOTION CORP.

(Formerly Quantum Numbers Corp)

**CONDENSED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS (Unaudited,
in Canadian dollars)**

	Three-months ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
EXPENSES				
Share-based payments	30,000	-	204,000	-
Investors' relation	157,224	-	157,224	-
Professional fees	61,478	24,817	124,810	34,636
Management fees	54,233	-	116,434	-
Consulting fees	32,866	-	111,757	1,400
Filing and listing fees	36,176	5,254	48,974	14,422
Promotion expenses	-	-	19,187	-
Office expenses	10,683	1,565	17,617	3,048
Development costs	12,929	22,155	17,255	52,376
Amortization	5,561	5,546	11,061	11,092
Insurance	3,678	3,818	7,229	7,241
Salaries	-	53,865	5,787	138,863
Rent	5,800	2,100	5,800	5,700
Accretion expenses	1,411	-	2,574	-
Bank charges	202	241	924	563
Travel expenses	-	-	-	8,085
	<u>(412,241)</u>	<u>(119,361)</u>	<u>(850,633)</u>	<u>(277,426)</u>
Other income				
Government grant	508	-	776	-
Interest	-	19	-	236
	<u>508</u>	<u>19</u>	<u>776</u>	<u>236</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD				
	<u>(411,733)</u>	<u>(119,342)</u>	<u>(849,857)</u>	<u>(277,190)</u>
LOSS PER SHARE				
Basic and diluted loss per share	<u>(0.004)</u>	<u>(0.002)</u>	<u>(0.009)</u>	<u>(0.005)</u>
Weighted average number of common shares outstanding	<u>102,111,354</u>	<u>60,527,838</u>	<u>97,833,390</u>	<u>60,527,838</u>

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

QUANTUM eMOTION CORP.

(Formerly Quantum Numbers Corp)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited, in Canadian dollars)

For the six-month period ended June 30, 2021

	Notes	Number of shares	Number of shares to be issued	Share Capital	Units to be issued	Contributed Surplus	Deficit	Total equity
Balance as at January 1, 2021		60,527,838	250,000	6,334,571	12,500	280,404	(6,405,692)	221,783
Share-based payments	7	-	-	-	-	315,231	-	315,231
Units issued for private placement	5	40,000,000	(250,000)	2,000,000	(12,500)	-	-	1,987,500
Share issue costs		-	-	(37,950)	-	-	-	(37,950)
Exercise of options	7	1,400,000	-	98,000	-	(28,000)	-	70,000
Exercise of warrants	6	1,850,000	-	277,500	-	-	-	277,500
Net loss and comprehensive loss for the period		-	-	-	-	-	(849,857)	(849,857)
Balance as at June 30, 2021		103,777,838	-	8,672,121	-	567,635	(7,255,549)	1,984,207

	Notes	Issued capital		Options Reserve	Deficit	Total equity
		Shares	Amount			
			\$	\$	\$	\$
Balance as at January 1, 2020		60,527,838	6,334,571	782,829	(6,224,366)	893,034
Net loss and comprehensive loss for the period		-	-	-	(277,190)	(277,190)
Balance as at June 30, 2020		60,527,838	6,334,571	782,829	(6,501,556)	615,844

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QUANTUM eMOTION CORP.
(Formerly Quantum Numbers Corp)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited, in Canadian dollars)

	Note	Three-months ended June 30		Six-months ended June 30	
		2021 \$	2020 \$	2021 \$	2020 \$
Operating Activities					
Net loss		(411,733)	(119,342)	(849,857)	(277,190)
Adjustments to net loss for non-cash items					
Share-based payments	7	141,231	-	315,231	-
Amortization	4	5,561	5,546	11,061	11,092
Accretion expense		1,411	-	2,574	-
Government grant		(508)	-	(776)	-
Net changes in non-cash working capital items					
Taxes receivable		(30,544)	3,252	(81,272)	506
Prepaid expenses		(13,034)	(49,584)	(11,160)	(50,661)
Accounts payable and accrued liabilities		11,065	3,532	(335,028)	24,653
Net operating cash flows		<u>(296,551)</u>	<u>(156,596)</u>	<u>(949,227)</u>	<u>(291,600)</u>
Investing Activity					
Intellectual property acquisition		-	-	-	-
Net investing cash flows		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financing Activity					
Proceeds from loan payable		-	-	20,000	-
Proceeds from issuance of shares		-	-	1,987,500	-
Share issue costs		-	-	(37,950)	-
Exercise of options		-	-	70,000	-
Exercise of warrants	6	277,500	40,000	277,500	40,000
Net financing cash flows		<u>277,500</u>	<u>40,000</u>	<u>2,317,050</u>	<u>40,000</u>
Net change		(19,051)	(116,596)	1,367,823	(251,600)
Cash, beginning of period		1,406,964	152,627	20,090	287,631
Cash, end of period		<u>1,387,913</u>	<u>36,031</u>	<u>1,387,913</u>	<u>36,031</u>

The accompanying notes are an integral part of these condensed interim financial statements.

QUANTUM eMOTION CORP.

(Formerly Quantum Numbers Corp)

Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)

For the six-month period ended June 30, 2021

1. INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

Quantum eMotions Corp. (formerly Quantum Numbers Corp). (the “Company” or “Quantum”) was incorporated under the *Business Corporations Act* of Ontario on July 19, 2007.

The head office, principal address and records office of the Company are located at 3755 E Blvd Matte, suite 201, Brossard, Québec, J4Y 2P4. The Company is a developer of a new generation of cryptographic solutions pursuant to the acquisition of intellectual property.

The business of technology involves a high degree of risk and there can be no assurance that projects under research and development will proceed through to achieve commercialization. Risks related to the value of the Company's intangible assets, completing proof of concept studies, protecting intellectual property rights, the ability of the Company to raise alternative financing, and risks inherent to new technologies, such as risk of obsolescence, slow adoption and competing technological advances. Changes in future conditions could require material impairment of assets.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Since its incorporation, the Company has accumulated a deficit of \$7,255,549 (December 31, 2020 - \$6,405,692) and during the period ended June 30, 2021, incurred a net loss and comprehensive loss of \$849,857 (June 30, 2020 - \$277,190). The Company does not currently have available resources and liquidity to fully execute its business plan over the next 12 months and is dependent on the Company's ability to raise additional finances to fund its operations. The above factors indicate a material uncertainty that may cast a significant doubt as to the Company's ability to continue as a going concern.

These condensed interim financial statements have been prepared on a going-concern basis which contemplates that the Company will continue in operation in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. This assumption is based on the current net assets of the Company and management's current operating plans.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

The Company's financial year ends on December 31.

In March 2020, the World Health Organization declared the COVID-19 epidemic a pandemic. The situation is continually evolving, and the measures put in place have numerous economic repercussions at the global, national, provincial and local levels. These measures, which include travel bans, solitary confinement or quarantine (voluntary or not), and social distancing, have caused significant disruption among businesses, globally and in Canada, due to the economic slowdown. Governments and central banks have responded by implementing monetary and fiscal measures to stabilize the world economy; however, the current challenging economic climate may cause adverse changes in cash flow, the level of working capital and the search for future financing, which could have a direct impact on the Company's future financial position. The Company has implemented measures to mitigate the impact of the pandemic on its future operations such as the curtailment of certain non-essential exploration and evaluation expenditures.

QUANTUM eMOTION CORP.

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Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)

For the six-month period ended June 30, 2021

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim financial statements for the reporting period ended June 30, 2021 (including comparatives) were approved and authorized for issue by the Board of Directors on August 27, 2021.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICES

These condensed interim financial statements were prepared in accordance with standard IAS 34 - Interim Financial Reporting and do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). They, however, include specific complimentary notes in order to provide information necessary to assess the financial situation of the Company at period end since its last annual financial statements dated December 31, 2020.

At the date of authorization of these condensed interim financial statements, management believes that there are no new standards, amendments and interpretations to existing standards that have been published by the IASB, but are not yet effective, which could materially impact the Company’s financial statements.

4. INTELLECTUAL PROPERTY

The carrying amount can be analyzed as follows:

	Balance as at December 31 2020	Additions	Balance as at June 30 2021
	\$	\$	\$
Cost			
Acquisition of SOCPRA license (Note 4)	446,112	-	446,112
Development costs	220,967	-	220,967
	667,079	-	667,079
Accumulated amortization			
Amortization of license	27,499	11,061	38,560
Carrying amount	639,580	11,061	628,519

In October of 2019, when available for use, the Company has commenced amortizing the license on a twenty-year basis. No amortization was taken on the development costs as these assets are not yet available for use.

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Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)

For the three-month period ended June 30, 2021

5. SHARE CAPITAL

On January 15, 2021, the Company completed a non-brokered private placement by issuing a total of 40,000,000 units at a price of \$0.05 per unit, for a total gross proceed of \$2,000,000. Each unit consisted of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.15 for a period of 12 months following the closing of the private placement. Finder's fees of \$27,200 were paid in connection with the private placement.

6. WARRANTS

The Company's warrants are as follows for the reporting periods:

	June 30, 2021		December 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	-	-	-	-
Granted	40,000,000	0.15	-	-
Exercised	<u>(1,850,000)</u>	0.15	-	-
Balance outstanding, end of year	<u>38,150,000</u>	0.15	-	-

These warrants are exercisable for a period of twelve months.

7. STOCK OPTIONS

The Company's share options are as follows for the reporting periods:

	June 30, 2021		December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	6,650,000	0.07	4,250,000	0.20
Granted	5,000,000	0.17	4,650,000	0.65
Expired	-	-	(2,250,000)	(0.28)
Exercised	<u>(1,400,000)</u>	0.05	-	-
Balance outstanding, end of year	<u>10,250,000</u>	0.12	<u>6,650,000</u>	0.07
Balance exercisable, end of year	<u>7,765,625</u>	0.11	<u>6,650,000</u>	0.07

QUANTUM eMOTION CORP.**(Formerly Quantum Numbers Corp)****Notes to Condensed Interim Financial Statements** (Unaudited, in Canadian dollars)

For the three-month period ended June 30, 2021

7. STOCK OPTIONS (Continued)

The weighted average remaining contractual life for options outstanding at June 30, 2021 is 2.64 (2020 – 4.44) years.

The Company recognized an amount of \$315,231, respectively recognized as share-based payments for an amount of \$204,000, investors' relation for an amount of \$105,950 and consulting fees for an amount of \$5,281 (2020 - \$nil) for the period ended June 30, 2021.

The weighted average fair value of the granted options was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2021	2020
Average share price at date of grant	\$0.19	-
Dividends yield	-	-
Expected weighted volatility	118.39%	-
Risk-free interest rate	0.43%	-
Expected average life	3.11 years	-
Average exercise price at date of grant	\$0.17	-

Outstanding and exercisable options are as follows:

Expiry Date	Exercise Price	Number of shares		Remaining life (years)
		Outstanding	Exercisable	
	\$			
November 22, 2021	0.10	500,000	500,000	0.40
December 7, 2021	0.175	350,000	350,000	0.44
April 1, 2022	0.15	150,000	150,000	0.75
December 9, 2022	0.12	900,000	900,000	1.44
November 22, 2023	0.10	200,000	200,000	2.40
December 18, 2023	0.05	2,500,000	2,500,000	2.47
December 22, 2023	0.065	750,000	750,000	2.48
December 9, 2024	0.12	250,000	250,000	3.44
January 26, 2024	0.14	500,000	500,000	2.57
February 2, 2024	0.14	2,500,000	625,000	2.59
March 11, 2024	0.215	500,000	500,000	2.70
April 21, 2026	0.24	500,000	500,000	4.81
March 31, 2028	0.18	650,000	40,625	6.75
		<u>10,250,000</u>	<u>7,765,625</u>	

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Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)

For the six-month period ended June 30, 2021

8. RELATED PARTY TRANSACTIONS

The Company's related parties include insiders, companies under common control and joint key management, as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

8.1 Transactions with key management

The key management of the Company are the members of senior management and the Board. The remuneration for the period of key management include the following expenses:

	<u>2021</u>	<u>2020</u>
	\$	\$
Management fees	116,435	-
Salaries	-	132,000
Share-based payments	<u>204,000</u>	<u>-</u>
	<u>320,435</u>	<u>132,000</u>

An amount of \$921 (2020 - \$nil) is due to directors for reimbursement of expenses incurred during the period and is included in accounts payable and accrued liabilities.

9. POST-REPORTING DATE EVENT

Subsequent to June 30, 2021, a total of 850,000 warrants with an exercise price of \$0.15 per warrant were exercised for gross proceeds of \$127,500.

Subsequent to June 30, 2021, a total of 500,000 stock options were issued to a member of key management of the Company. The options expire 7 years from the grant date and have an exercise price of \$0.265 per share. The options will vest equally over a period of 4 years at a rate of 25% on each anniversary of the date of grant.